

October 31, 2000

Mr. Roger Letterman
Office of Air Management
Indiana Department of Environmental Management
PO. Box 6015
Indianapolis, Indiana 46206-6015

Re: Comments on Indiana NOx Reduction Rulemaking (Pre-draft 0.15 Rule)

Dear Mr. Lettermann:

NiSource, the parent company for Northern Indiana Public Service Company (NIPSCO), Primary Energy and its subsidiaries, and other subsidiary companies in Indiana potentially affected by the proposed rulemaking, would like to thank **IDEM** for the opportunity to provide comments on the above-named proposed rulemaking. We hope these comments provide constructive concepts for **IDEM** to incorporate in the proposed rule to assist in meeting the requirements of the EPA **NOx** SIP Call.

Please find attached a draft of rule language that we believe could be used as a basis for the inclusion of an output based **NOx** limit within the proposed **NOx** SIP rule. Additional modifications will likely be needed to formalize the process (rulemaking and otherwise) needed to implement this concept into the Indiana rules.

We hope that the rule language can be developed to include a workable output based generation standard as an incentive for the development of new, clean, energy efficient generation. NiSource included several details on such a proposal in our March 1, 2000 comments. We would be happy to continue to work with the **IDEM** to improve this section based on the concepts included in the March 1, 2000 comments.

We look forward to continuing interactions with **IDEM** throughout this rule development process. If you have any questions about the above comments, please contact me at 219-647-5240.

Sincerely,



John M. Ross
Manager, Environmental Permits

Proposed Language Establishing a Process to Examine Output Based Allocation

326 IAC 10-4-9(b) The department shall allocate NO_x allowances to NO_x budget units according to the following schedule:

(1) A one (1) year allocation that is three (3) years in advance of the ozone control period that the allowances may be used with an initial three (3) year allocation shall be as follows:

(A) By September 30, 2001, the department shall submit to the U.S.EPA the NO_x allowance allocations, in accordance with subsection (c), for the ozone control periods in 2004, **2005** and 2006.

(B) **Prior to By April 1, 2004, the department shall reexamine the method of allocation and determine an appropriate methodology to apply an output-based allocation method. By February 1, 2002, the department shall complete a rule to implement the above change in method. The rulemaking will address, at a minimum, the methodology for allocation, as well as, the monitoring, reporting, and recordkeeping requirements needed to address the output-based allocation method. By April 1, 2004 and April 1 of each year thereafter, the department shall submit to the U.S. EPA the NO_x allowance allocations, based on the method to be determined prior to April 1, 2004, in accordance with subsection (c) for the ozone control period in the year that is three (3) years after the year of the applicable deadline for submission under this subdivision.**

(3) By April 1, 2004 and April 1 of each year thereafter, the department shall submit to the U.S. EPA the NO_x allowance allocations remaining in the allocation set-aside for the prior ozone period. ~~in accordance with subsection (c).~~

(c) ~~The heat input, in million British thermal units (mmBtu), used for calculating~~ NO_x allowance allocations for each NO_x budget unit under section 1 of this rule shall be:

(1) For a NO_x allowance allocation under subsection **(b)**(1)(A):

(A) the average of the two (2) highest amounts of the unit's heat input for the ozone control periods in 1995, 1996, and 1997, if the unit is an electricity generating unit; or

(B) the ozone control period in 1995, if the unit is a large affected boiler.

(2) For a NO_x allowance allocation under subsection (b)(1)(B), ~~the unit's heat input~~ **based on the method to be determined prior to April 1, 2004** for the ozone control period in the year that is four (4) years before the year for which the NO_x allocation is being calculated.

....
Note: there are other references to the use of heat input as the allocation method for control years beyond 2006 that would require conforming changes.